

**The World Bank**

Mongolia Multi-Sectoral Technical Assistance Project (P119825)

Implementation Status & Results Report**Mongolia Multi-Sectoral Technical Assistance Project (P119825)**

EAST ASIA AND PACIFIC | Mongolia | Macro Economics & Fiscal Management Global Practice |
 IBRD/IDA | Technical Assistance Loan | FY 2010 | Seq No: 9 | ARCHIVED on 27-Jun-2016 | ISR22730 |

Implementing Agencies: Ministry of Finance, Bank of Mongolia, Financial Regulatory Commission, Ministry of Finance

Key Dates**Key Project Dates**

Bank Approval Date:28-Jun-2010

Effectiveness Date:17-Mar-2011

Planned Mid Term Review Date:31-Dec-2012

Actual Mid-Term Review Date:15-Jan-2013

Original Closing Date:31-Dec-2014

Revised Closing Date:30-Jun-2017

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

To support the Recipient's efforts to enhance its capacity for policy making, regulation, and implementation in the fiscal, social, and financial sectors.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Enhancing capacity for Fiscal Management:(Cost \$3.16 M)

Supporting Government efforts to better protect the poor:(Cost \$3.16 M)

Enhancing capacity for maintaining financial sector stability:(Cost \$3.37 M)

Project management:(Cost \$0.81 M)

Strengthening Capacity and Improving Transparency of the Government Procurement Agency:(Cost \$0.30 M)

Supporting Pensions Reform:(Cost \$0.30 M)

Improving Public Financial Management:(Cost \$0.90 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory



Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● Moderate	● Moderate

Implementation Status and Key Decisions

Progress towards PDOs

The project was successfully restructured in May. The restructuring extended the project closing date to June 30, 2017, and amended the results framework to have more relevant and realistic results indicators, including one project development objective indicator and three intermediate indicators. An updated implementation plan was submitted by the client during the restructuring process.

The project is making steady progress towards the project development outcomes since the last supervision mission. The project has four project development outcome indicators; two indicators were successfully achieved and two indicators are making steady progress towards end-target values. The current progress and expected achievement in the four PDO indicators are as follows:

The first PDO indicator, which aims to reduce the structural budget deficit according to the ceiling of the Fiscal Stability Law (FSL), made good progress in 2015, but will likely face growing challenges in 2017. In 2015, the structural budget deficit was reduced to 5 percent of GDP, the deficit ceiling of the FSL, despite a significant revenue drop due to sharp declines in key commodity prices. In 2016, however, the budget is expected to face significant challenges to contain the budget deficit within 4 percent of GDP imposed by the FSL, due to growing spending pressure in the run-up to the June election and continued drops in mineral revenues. Technical support of the MSTAP through the Component A1 (Improving Fiscal Policy and Budget Planning) would remain an important tool to maintain the fiscal reform momentum that aims to reduce the structural budget deficit to less than 2 percent of GDP by 2018.

Two PDO indicators on the adoption of the accounting and auditing laws and the construction of the PMT database were successfully achieved. The second PDO indicator that aims to adopt the laws on accounting and auditing was successfully achieved, with the approval of the new laws by the parliament in June 2015. The ultimate success of the new law would depend on proper implementation, demanding continued support to preparing necessary regulations and policy documents on the new account and auditing standards as well as training activities. The Component A2, Improving Public Financial Management, will continue to support the follow-up activities. The third PDO indicator that aims to construct a poor household database based on the PMT survey was also successfully achieved as the database became available in 2014. The Component B, Supporting the Government to Better Protect the Poor, is now focused on introducing the new integrated database of all social benefit programs and improving the poverty targeting of the existing social welfare benefits.

The fourth PDO indicator aims to make the new deposit insurance agency fully operational, and made significant progress with the Mongolia Deposit Insurance Corporation (DICOM) established in 2013. Continued support of the MSTAP is important to make the DICOM a full-fledged pillar of the financial system safety net during the initial stage of DICOM's operation. By the new closing date, the intended project outcome to support the DICOM is expected to be successfully achieved as the new agency will be equipped with a functioning information system, proper legal framework and internal procedures on risk pay-out compensation in line with international standards.

Disbursement Progress

Project disbursement made significant progress since the last supervision mission. Overall disbursement of the project significantly picked up to 87.6 percent in May 2016, from 79.4 percent in October 2015. Given the outstanding commitments and the updated implementation plan of the client, overall project disbursement is expected to reach 95 percent by the end of 2016.

While disbursement made significant progress in all of the sub-components, disbursement progress varies across the components.

Disbursement rates is faster in Component A1 (90%), B (90.8%), and E (100%) as of May 2016, other components show slower disbursement progress including Component A2 (79.7%) and C (86.4%). Disbursement on spending categories also varies: disbursement progress was higher in training budget (93%) and goods (93%), but slower in the expenditures on consultancy work (84%).



Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● High	● High
Macroeconomic	--	● High	● High
Sector Strategies and Policies	--	● Moderate	● Moderate
Technical Design of Project or Program	--	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	--	● Low	● Low
Fiduciary	--	● Low	● Low
Environment and Social	--	● Low	● Low
Stakeholders	--	● Moderate	● Moderate
Other	--	--	--
Overall	--	● Moderate	● Moderate

Results

Project Development Objective Indicators

- By the Closing Date, the Recipient shall have reduced its structural deficit according to the deficit ceilings set forth in the Fiscal Stability Law. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	In 2014, the general government budget recorded a deficit equivalent to 4% of GDP, above the FSL's deficit ceiling of 2% of GDP.	The 2015 budget was revised twice by reducing budget expenditures to meet the new 5% of GDP deficit ceiling of the FSL, in the face of continued revenue shortages due to a sharp minerals market downturn.	The 2015 budget execution recorded a 5% of GDP deficit in line with the budget deficit ceiling of the FSL.	The structural deficit is reduced according to the deficit ceiling of the Fiscal Stability Law.
Date	31-Dec-2014	30-Nov-2015	30-Jun-2016	30-Jun-2017

- The Government shall have submitted to the Parliament for passing the draft laws on accounting and auditing that would create the legal environment for ensuring that Mongolia's accounting and auditing (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	Adherence to international standards uneven	Achieved. Draft laws submitted to the Parliament and approved by Parliament in its plenary session held on June 18, 2015. Therevised laws become effective January 1, 2016.	Achieved. Draft laws submitted to the Parliament and approved by Parliament in its plenary session held on June 18, 2015. Therevised laws become effective January 1, 2016.	Draft laws submitted to the Parliament.
Date	01-Jan-2011	27-Nov-2015	27-Nov-2015	30-Jun-2017

► MPDSP has prepared a poor households database, on the basis of the Proxy Means Test survey. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No database	Achieved. The second round of PMT survey data collection was completed in Dec 2013, and the database became available in Apr2014.Furthermore, as of Dec 2014 the database was endorsed by the government to be used across government programs in varioussectors. The database – which is currently being used only for the Food Stamp Program – now can be used for targeting of othergovernment programs and subsidies for the poor.	Achieved. The second round of PMT survey data collection was completed in Dec 2013, and the database became available in Apr2014.Furthermore, as of Dec 2014 the database was endorsed by the government to be used across government programs in varioussectors. Use of the database is on slowly expanding within the welfare sector but also for targeting of othergovernment programs and subsidies for the poor.	Database completed
Date	01-Jan-2011	30-Nov-2015	20-Jun-2016	30-Jun-2017

► New deposit insurance agency is fully operational. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	New Law on Deposit Insurance Corporation enacted and is about to have its implementation started	Limited Bank Deposit Insurance Law was enacted in 2013 and DICOM has been established according to the law. IT system	Limited Bank Deposit Insurance Law was enacted in 2013 and DICOM has been established according to the law. The support for	The new Deposit Insurance Corporation is a full-fledged pillar of the



	for development for the deposit insurance and capacity building engagements through trainings are in progress.	the development of an IT infrastructure, including a new software for efficient data collection, analysis, and reporting procedure needed for the limited deposit insurance scheme, is ongoing. Also, the assessment of the implementation progress of the Bank Deposit Insurance acts is ongoing and the further planned activities include assessment of the DICOMs capacity to evaluate banks' deposit insurance risk; its legal framework and internal procedures for risk payout compensation in line with the international best practices.	financial sector safety net, with proper institutional structure and financial capacity, deposit payout capabilities, and clear mandates and responsibilities.
Date	30-Apr-2013	24-Nov-2015	25-May-2016

Overall Comments

Intermediate Results Indicators

- Strengthened fiscal planning and management capacity through improving budget planning mechanism (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No on-line web-based Budget Planning Information System existed for budget preparation and different char of accounts are used for budget planning (Fiscal, budget planning system) and execution (GFMIS) systems	--	On-going. Introduction of the new Budget Planning Information System (BPIS) – the first intermediate results indicator – is being successfully implemented with the support of the MSTAP. Three MSTAP consultants are providing technical support to the BPIS system, including training to 11 aimag governments so far. The BPIS is expected to become fully operational in 2017-18.	The BPIS becomes functional and is used for budget planning both at the central and local government level.
Date	01-Jan-2012	30-Jun-2014	31-May-2016	30-Jun-2017



► Strengthened legal framework for prudent natural resource revenue management. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No legal framework for prudent natural resource revenue management existed.	--	Achieved. The new law on Mongolia's natural resource fund (Future Heritage Fund Law) was adopted in Dec 2015, ready for implementation. The MOF initiated work to set up a road map comprising preparatory work necessary to set up a well-functioning long-term savings fund which is expected to begin accumulation of mineral revenues in 3-4 years.	New legal framework for prudent natural resource revenue management is adopted and ready for implementation.
Date	01-Jun-2011	27-Nov-2015	30-Jun-2016	30-Jun-2017

► Fiscal transfer formula for local government financing improved to increase predictability of resources and to reduce horizontal inequities between local governments and facilities (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No fiscal transfer formula	Partially Achieved. An improved financing mechanism of special purpose transfer for primary health care services is planned to be used in 2016. The MOF and the MOH has been discussing the proposed changes in the financial formula on primary health care services and reached an agreement in November. The MOF	On-going. The methodology for Transferring Revenue from the General Local Development Fund to the Local Development fund approved by Government resolution No. 30 of 2012 is being followed. The revised version of financing methodology for primary health care	Government regulations are adopted and implemented to improve the financing mechanisms to local governments.



and the MOH plan to issue a joint decree by the end of 2015 on the introduction of the revised financing formula into the 2016 budget allocation. • An initial study on education financing mechanism began in October by one MSTAP consultant. A national consultant was hired for nine months on October 1, 2015 to improve the methodologies in financing mechanism of pre-school and general education programs. • An improved LDF transfer formula was presented to the President Office in 2015. Currently, discussion is under way on the weights of key parameters of the transfer formula, particularly on the size of population.

services provided by soums and villages was approved by joint order #498/345 in December 2015 by the MoF and Minister of Health. The draft methodology was applied to the 2016 budget planning process.

Studies on improving education financing mechanism are under way. One MSTAP consultant delivered a draft report on teacher salaries—a main determinant of education financing mechanism—to the MoF. A senior MSTAP consultant will be hired to conduct a more comprehensive study to improve education financing mechanism in the remainder of 2016.

Date	01-Jan-2011	09-Dec-2015	01-May-2016	30-Jun-2017
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- Improve the templates used for financial reporting in accordance with IFRS and create a consolidated database system for allowing electronic filing of financial statements by firms (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Existing template ineffective due to modifications to IFRS. Lack of capacity and inefficiency of the current software - eBalance	Achieved. IFRS-complied accounting guidelines for entities along with the revised chart of accounts obtained approval by the Minister of Finance on December 23, 2014 (order #249). The e-balance system for electronic submission of financial statements was upgraded and implemented 2013 Q1. Data conversion for years 2002-2012 was done in December 2014. The upgraded e-balance system is now fully operational with	Achieved. IFRS-complied accounting guidelines for entities along with the revised chart of accounts obtained approval by the Minister of Finance on December 23, 2014 (order #249). The e-balance system for electronic submission of financial statements was upgraded and implemented 2013 Q1. Data conversion for years 2002-2012 was done in December 2014. The upgraded e-balance system is now fully operational with access	Regular financial statement e-filing to MOF through e-balance system



		access to past years data to perform analytics.	to past years data to perform analytics.	
Date	01-Jan-2011	27-Nov-2015	27-Nov-2015	30-Jun-2017

► Capacity enhancement for setting and enforcing international financial reporting standards (IFRS) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Lack of capacity for both regulators and preparers of financial statements with regards to IFRS.	Ongoing. Capacity of financial statement preparers, Accounting Standards Committee, and other regulators enhanced through IFRS and IFRS for SME trainings for approximately 800 accounting professionals nationwide from 2012-2015, preparation of a 108 page IFRS manual, and an enhanced e-balance system used by regulators for the collection and analysis of financial reporting data.	Ongoing. Capacity of financial statement preparers, Accounting Standards Committee, and other regulators enhanced through IFRS and IFRS for SME trainings for approximately 800 accounting professionals nationwide from 2012-2015, preparation of a 108 page IFRS manual, and an enhanced e-balance system used by regulators for the collection and analysis of financial reporting data.	Enhanced capacity for Accounting Standards Committee
Date	01-Jan-2011	30-Nov-2015	30-Nov-2015	30-Jun-2017

► MoPDSP and GOSWS have created an adequate IT infrastructure for designated users on the basis of the PMT database for poor households and citizens or targeting purposes for social programs, assist (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No web based software available	Mostly achieved. Development of Welfare Administration and Information System (WAIS) has been completed with specific modules on registration, reporting, administration and accounting. The whole system will officially roll	Mostly achieved. Development of Welfare Administration and Information System (WAIS) has been completed with specific modules on registration, reporting, administration and accounting. Some modules of the system have been rolled out from April 2016.	Multi -sector database is operational, sharing and retrieval of data enabled for all users including a number of Ministries and departments using ISDB to determine



		out from early 2016.		eligibility of social programs, services and benefits.
Date	01-Jan-2011	30-Nov-2015	20-Jun-2016	30-Jun-2017

► Percentage of staff trained in the Ministry of Population Development and Social Protection, General Office for Social Welfare Service and local governments (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	unknown due to govt restructuring in 2012	Partially achieved, with a good progress. A series of capacity building training events were organized including two national trainings on social work services and WAIS/ISDB implementation nationwide. 92% of the field staff have been trained.	Partially achieved, with a good progress. A series of capacity building training events were organized including two series of trainings on social work services and WAIS/ISDB implementation nationwide. 92% of the field staff have been trained.	Training delivered to a significant portion of social workers and GOSWS staff, and long term institutional training capacity build beyond the project life
Date	01-Jul-2012	30-Nov-2015	20-Jun-2016	30-Jun-2017

► Accounting standards introduced (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No IFRS in place for financial sector	Due to the fact that not all banks were prepared to fully implement IFRS, banks will start complying with the new accounting standards starting January 2016. A national consultant, who is responsible for renewing the standard, conducted a series of training for supervisors between July-September 2015 to improve their understanding of the new standards.	IFRS for banks has been introduced and the banks requested to comply with the new accounting standards starting January 2016.	IFRS for banks introduced and applied to Mongolian banks



Date	--	24-Nov-2015	25-May-2016	30-Jun-2017
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► Bespoke Macro-prudential policy framework developed (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	--	In progress. The BOM started its work on reviewing laws and regulations on prudential ratio in the Mongolian banking system. Draft regulation and manual on risk-based supervision has been developed, leading to an improvement in the Supervision department.	In progress. Draft regulation and manual on risk-based supervision has been developed. Also, the stress testing framework and draft regulation on enforcement and prompt corrective measures for banks have been delivered and the supervisors have been trained accordingly.	Formal macro-prudential supervision policy adopted and applied, overall prudential supervision standards upgraded
Date	--	24-Nov-2015	25-May-2016	30-Jun-2017

► State Bank is restructured and its privatization announced. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	--	In progress. The process to privatize the State Bank has officially started, with the target date for sometime in 2016: It has been included in the list of state-owned financial institutions that will be privatized in 2016 and was approved by the Parliament on November 13, 2015. The government estimates the State Bank privatization proceedings to be MNT75 billion, which is	In progress. The process to privatize the State Bank has officially started. It has been included in the list of state-owned financial institutions that will be privatized in 2016 and was approved by the Parliament on November 13, 2015. The government estimates the State Bank privatization proceedings to be MNT75 billion, which is reflected in the budget document.	State Bank is restructured and privatized.



		reflected in the 2015 budget.		
Date	--	24-Nov-2015	25-May-2016	30-Jun-2017

- Transparency on procurement process managed by the GPA will be enhanced according to the revised Public Procurement Law (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Limited disclosure of information on contract awardees, and contract cost.	Information on bidding and contracts posted on Government website. 100% of Procurement Plans, Invitation for Bids & Contract Awards are posted on the procurement website.	Information on bidding and contracts posted on Government website. 100% of Procurement Plans, Invitation for Bids & Contract Awards are posted on the procurement website.	Information on bidding and contracts posted on government website
Date	01-Jan-2011	09-Dec-2015	09-Dec-2015	30-Jun-2016

- A strategy paper, policy options and main concept driving the pension reform agenda have been submitted to the Government, and an implementation plan has been developed (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Despite the govt intention to move to a multilayer pension system, the actual strategy has not been defined yet.	Achieved. White Paper (Policy Framework) on Pension Reform has been supported by the Cabinet and endorsed by the Parliament as of June 11, 2015. With approval of this overall framework, respective legislative changes under preparation.	Achieved. White Paper (Policy Framework) on Pension Reform has been supported by the Cabinet and endorsed by the Parliament as of June 11, 2015. Following the approval of this reform framework, draft amendments to respective legislations have been prepared.	Define pension reform policy concepts to establish sustainable multi-pillar pension system that provides an adequate benefit to the elderly
Date	01-Jun-2013	30-Nov-2015	20-Jun-2016	30-Jun-2017

Overall Comments



Data on Financial Performance

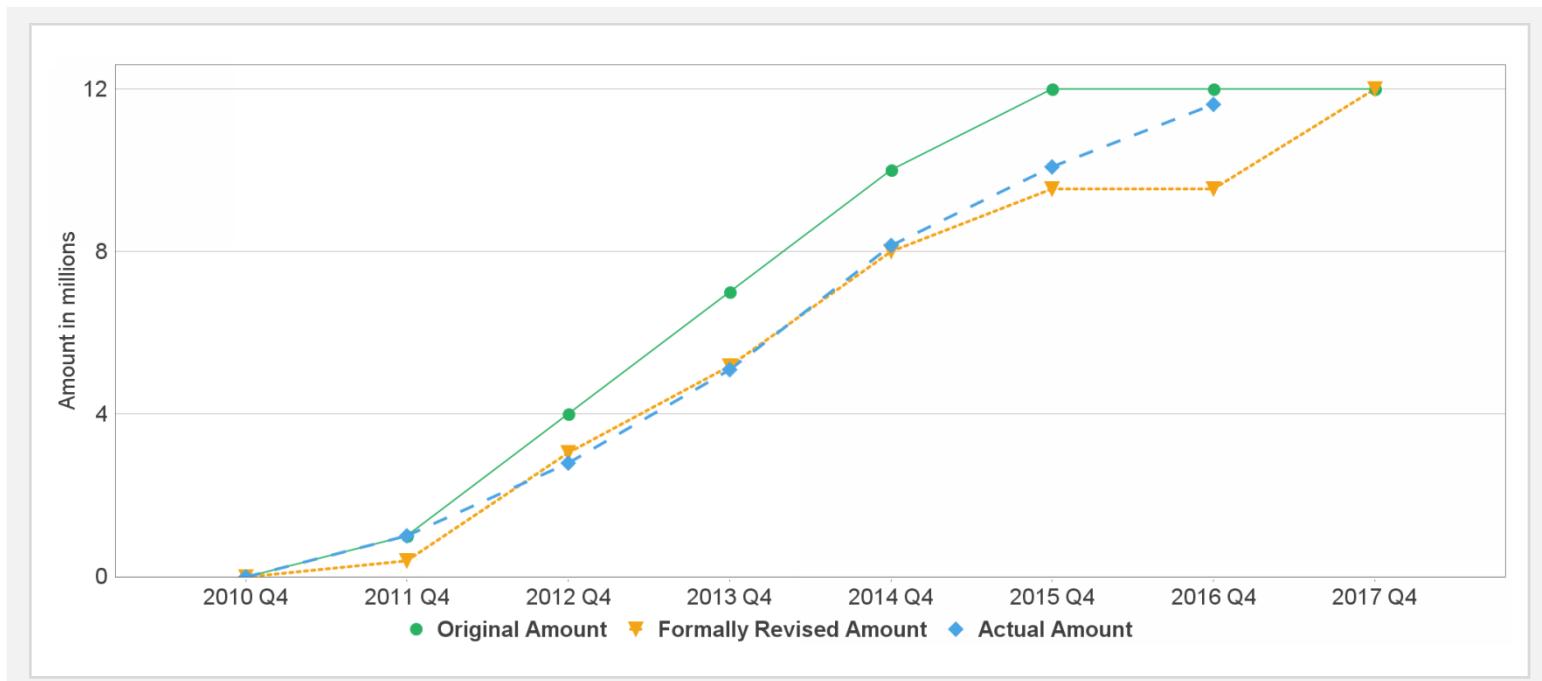
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P119825	IDA-47770	Effective	USD	12.00	12.00	0.00	11.36	0.65	<div style="width: 95%; background-color: #2e7131; height: 10px;"></div> 95%
P119825	TF-99122	Closed	USD	0.50	0.25	0.25	0.25	0.00	<div style="width: 100%; background-color: #2e7131; height: 10px;"></div> 100%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P119825	IDA-47770	Effective	28-Jun-2010	04-Aug-2010	17-Mar-2011	31-Dec-2014	30-Jun-2017
P119825	TF-99122	Closed	31-Mar-2011	13-Apr-2011	13-Apr-2011	31-May-2012	31-May-2012

Cumulative Disbursements



Restructuring History

Level Approved on 27-Mar-2012 ,Level Approved on 17-Apr-2013 ,Level 2 Approved on 04-Oct-2013 ,Level 2 Approved on 10-Dec-2014 ,Level 2 Approved on 16-Mar-2016



Related Project(s)

There are no related projects.